AMENDMENT TO THE CLAIMS

1. (currently amended): A spin valve sensor ~~for use with a data storage system to~~ for ~~produce~~ producing a giant magnetoresistive (GMR) effect on a sense current, which travels in a longitudinal direction, in response to applied magnetic fields, the sensor comprising:

~~a sense current (I), which is horizontally oriented in a longitudinal direction;~~

a first ferromagnetic free layer having a magnetization (M_1) in a first direction that is aligned in the longitudinal direction ~~of the sense current,~~ when ~~the first ferromagnetic free layer is~~ in a quiescent state;

a second ferromagnetic free layer having a magnetization (M_2) in a second direction that is anti-parallel to the first direction, when ~~the second ferromagnetic free layer is~~ in a quiescent state;

a spacer layer between the first and second ferromagnetic free layers; and

a permanent magnet positioned above the first and second ferromagnetic free layers opposite an air bearing surface (ABS) and producing a bias magnetic field that biases both M_1 and M_2 in a third direction that is transverse to the first and second directions thereby establishing quiescent bias states for M_1 and M_2;

wherein M_1 ~~produces a first demagnetization field that biases M_2 in the second direction and M_2 produces a second demagnetization field that biases M_1 in the first direction when the first and second ferromagnetic free layers are in their quiescent states, and~~ M_1 and M_2 rotate about their quiescent

bias states in response to an applied magnetic field ~~thereby producing a GMR effect in the sensor as a function of the rotation of M_1 and M_2~~.

2. (previously presented) The spin valve sensor of claim 1, including an insulating layer between the permanent magnet and the first and second ferromagnetic free layers.

3. Cancelled.

4. (original): The spin valve sensor of claim 1, wherein the third direction is selected from a group consisting of downward and upward.

5. (currently amended): The spin valve sensor of claim 1, including first and second contacts respectively positioned in contact with first and second ends of the first and second ferromagnetic free layers and the spacer layer, wherein the sense current is configured to ~~flows~~ between the first and second contacts in the longitudinal direction.

6. (currently amended): The spin valve sensor of claim 5, including:

        a bottom shield proximate the first ferromagnetic free layer and the contacts; and

        a top shield proximate the second ferromagnetic free layer and the contacts~~;~~

        ~~wherein the bottom and top shields have a substantially uniform shield to shield spacing~~.

7. (previously presented): The spin valve sensor of claim 1, wherein M_1 and M_2 are oriented in a direction that is about 45°

relative to the sense current when in their quiescent bias states.

8. (original): A data storage system including a spin valve sensor in accordance with claim 1.

9. (currently amended): A method of sensing an applied magnetic field, comprising steps of:
   (a) providing a first ferromagnetic free layer having a magnetization (M_1) in a first direction that is aligned with a sense current (I) in a longitudinal direction, when in a quiescent state;
   (b) providing a second ferromagnetic free layer having a magnetization (M_2) in a second direction that is anti-parallel to the first direction, when in a quiescent state;
   (c) applying a bias magnetic field to the first and second ferromagnetic free layers with a biasing component thereby angling M_1 and M_2 toward a third direction that is transverse to the first and second directions and establishing a quiescent bias state, wherein the biasing component is either a permanent magnet positioned above the first and second ferromagnetic free layers opposite an air bearing surface, or a first anti-ferromagnetic layer exchange coupled to the first ferromagnetic free layer and a second anti-ferromagnetic layer exchange coupled to the second ferromagnetic free layer; and
   (d) allowing M_1 and M_2 to rotate about their quiescent bias states in response to an applied magnetic field ~~whereby a GMR effect is produced as a function of the rotation of M_1 and M_2~~.

10. Cancelled.

11. (currently amended): A spin valve sensor ~~for use with a data storage system to~~ for produce producing a giant magnetoresistive (GMR) effect on a sense current, which travels in a longitudinal direction, in response to applied magnetic fields, the sensor comprising:

    ~~a sense current (I), which is horizontally oriented in a longitudinal direction;~~

    a first ferromagnetic free layer having a magnetization (M_1) in a first direction that is aligned in the longitudinal direction ~~of the sense current,~~ when ~~the first ferromagnetic free layer is~~ in a quiescent state;

    a second ferromagnetic free layer having a magnetization (M_2) in a second direction that is anti-parallel to the first direction, when ~~the second ferromagnetic free layer is~~ in a quiescent state;

    a spacer layer between the first and second ferromagnetic free layers;

    a biasing component including a first anti-ferromagnetic layer exchange coupled to the first ferromagnetic free layer and a second anti-ferromagnetic layer exchange coupled to the second ferromagnetic free layer, the first and second anti-ferromagnetic layers each producing a bias magnetization field that respectively biases M_1 and M_2 in a third direction that is transverse to the first and second directions thereby establishing quiescent bias states for M_1 and M_2; and

wherein M_1 ~~produces a first demagnetization field that~~ ~~biases M_2 in the second direction and M_2 produces~~ ~~a second demagnetization field that biases M_1 in~~ ~~the first direction when the first and second~~ ~~ferromagnetic free layers are in their quiescent~~ ~~states, and~~ M_1 and M_2 rotate about their quiescent bias states in response to an applied magnetic field thereby producing a GMR effect in the sensor as a function of the rotation of M_1 and M_2.

12. (previously presented): The spin valve sensor of claim 11, wherein the third direction is selected from a group consisting of downward and upward.

13. (previously presented): The spin valve sensor of claim 11, including first and second contacts respectively positioned in contact with first and second ends of the first and second ferromagnetic free layers and the spacer layer, wherein the sense current flows between the first and second contacts in the longitudinal direction.

14. (currently amended): The spin valve sensor of claim 13, including:

a bottom shield proximate the first ferromagnetic free layer and the contacts; and

a top shield proximate the second ferromagnetic free layer and the contacts~~;~~ ~~wherein the bottom and top shields have a substantially~~ ~~uniform shield-to-shield spacing~~.

15. (previously presented): The spin valve sensor of claim 11, wherein M_1 and M_2 are oriented in a direction that is about 45°

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relative to the sense current when in their quiescent bias states.

16. (previously presented): A data storage system including a spin valve sensor in accordance with claim 11.

17. (currently amended): A method of manufacturing a spin valve sensor for ~~use with a data storage system to produce~~ producing a giant magnetoresistive (GMR) effect in response to applied magnetic fields, the method comprising steps of:

    (a) forming a first ferromagnetic (FM) free layer having a magnetization (M_1) in a first direction when in a quiescent state;

    (b) forming a second FM free layer having a magnetization (M_2) in a second direction that is anti-parallel to the first direction when in a quiescent state;

    (c) forming a spacer layer between the first and second FM free layers; and

    (d) forming first and second anti-ferromagnetic (AFM) layers on the first and second FM free layers, respectively; the first and second AFM layers each producing a bias magnetization field that respectively biases M_1 and M_2 in a third direction that is transverse to the first and second directions.

18. (previously presented): The method of claim 17, wherein:

    the first and second AFM layers have substantially equivalent anneal temperatures; and

    the forming step (d) includes setting the bias magnetization fields of the first and second AFM layers simultaneously by cooling the first and

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second AFM layers through the anneal temperatures
while applying a magnetic field in the third
direction.